

TECHNOLOGY M&A HIGHLIGHTS

Q3 FY19

BDO's quarterly Technology M&A Highlights provides a targeted snapshot of M&A activity in the Asia region, with a detailed focus on Australia.

ASIA M&A HEAT MAP



Q3 FY19
97 M&A
TRANSACTIONS
ACROSS ASIA
\$20.5 BILLION

Q3 FY18
134 M&A
TRANSACTIONS
ACROSS ASIA
\$23.1 BILLION

Q3 FY19 saw a total of 97 M&A transactions recorded across Asia-Pac totalling A\$20.5bn. This represented a decrease compared to Q3 FY18 M&A activity which recorded a disclosed deal value of A\$23.1bn for a total of 134 transactions.

This was largely driven by a decline in deal activity in China, down 42% compared to the corresponding quarter in 2018. This decline in deal activity could be contributed to the US-China trade war which has caused uncertainty in investments not only in China, but across Asia-Pacific.

China has however, begun a campaign to ease restrictions on foreign investment as it continues to open up its market. This could result in an uplift in deal activity in the near future as the potential for further inbound M&A, particularly from the US, should trade tensions ease.

The largest transaction announced this quarter involved the US\$1.5bn private placement funding round for Chehaoduo Used Car Agency (Beijing) Co. Ltd, a Chinese-based company which operates a used car trading platform. Chehaoduo has leveraged the innovative capabilities of big data analytics and artificial intelligence (AI) to create a standardised pricing and evaluation mechanism for the used car market. The integrated platform enables users to trade second hand cars and provides access to auto-financing and after-sale automotive services.

Chehaoduo aims to use proceeds from this funding round to open 600 physical stores and expand its big data and AI capabilities in order to implement technological reform across the entire automotive retail chain. The company seeks to leverage data technology to drive greater efficiency and an enhanced consumer experience.

A round of funding was announced by a Japan-based fund, SoftBank Vision Fund L.P which is seeking to make large-scale and long-term investments in technologies and entrepreneurs that are enabling the next age of innovation. SoftBank Vision Fund also invested US\$1.5bn in Grab Taxi Pty Ltd this quarter. The Singapore-based ride sharing company will primarily use proceeds to expand its Indonesian business and roll out new services including on-demand video, digital healthcare, insurance and hotel bookings.

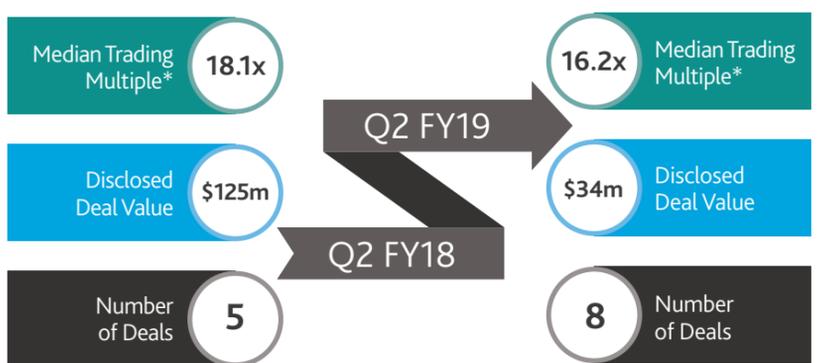
AUSTRALIA

TECHNOLOGY M&A ACTIVITY

M&A activity decreased in Q3 FY19

In Australia, M&A activity took a massive hit in Q3 FY19, down almost 73% on the corresponding period in 2018. Only 3 of the 8 deals this quarter were disclosed, resulting in the lowest total disclosed deal value since Q1 2017. All transactions this quarter involved strategic buyers, with no PE firms showing interest in the Australian technology market.

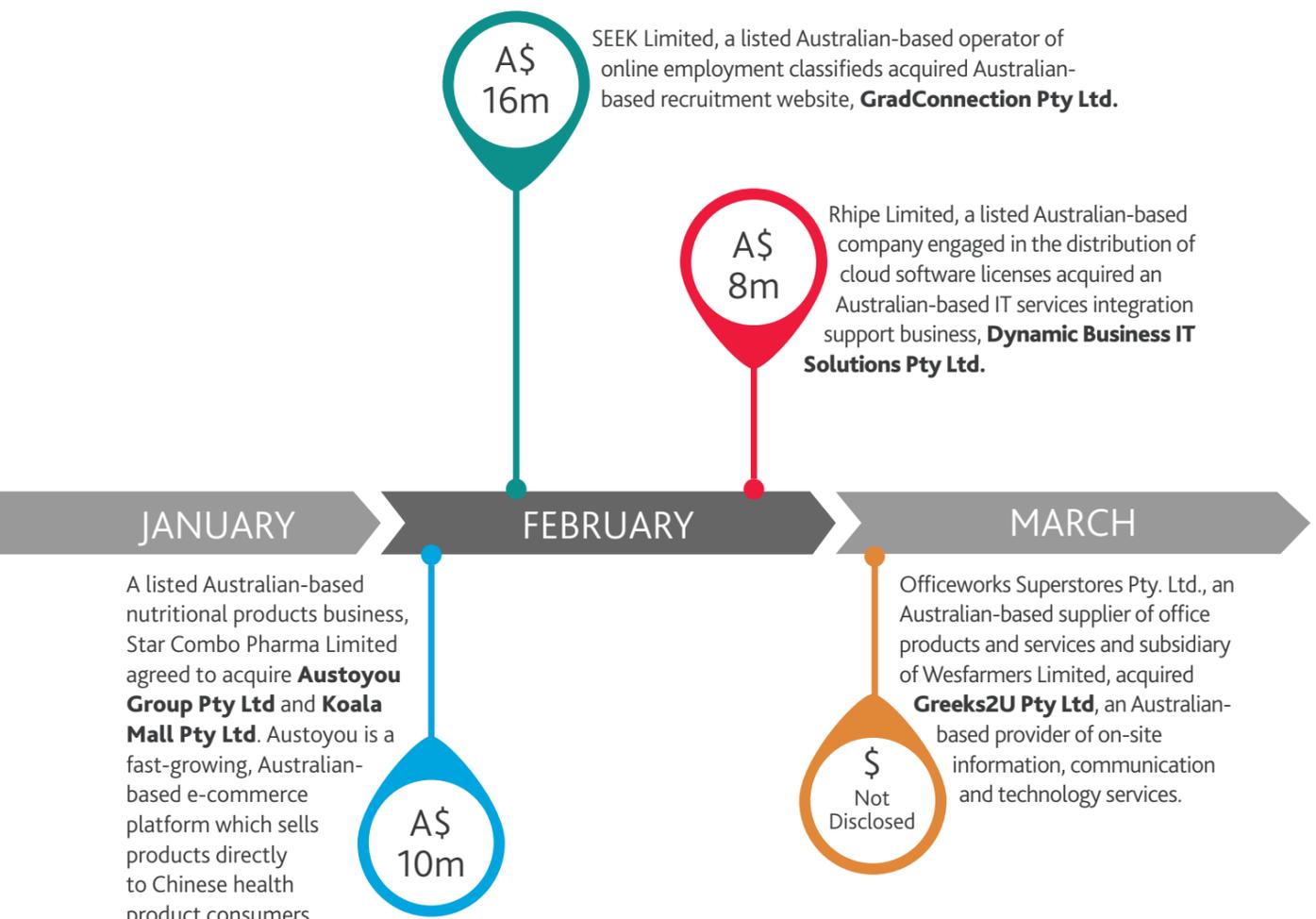
However, as companies look to acquire new technologies and capitalise on disruptive growth opportunities, an uplift in deal activity throughout 2019 is likely. Innovative sectors such as AI, fintech, robotics and cloud computing are expected to be sought after.



Median EBITDA/Enterprise value trading multiple for all ASX listed technology companies with market capitalisation greater than \$50 million.

NOTABLE TRANSACTIONS

A notable transaction this quarter involved the acquisition of Dynamic Business IT Solutions Pty Ltd (DBITS), a leading provider of Microsoft Dynamics NAV, by Rhippe Limited, a listed Australian-based company engaged in the distribution of cloud software licenses, for A\$8.0m. This deal positions Rhippe as a strategic partner for Microsoft's most valuable cloud products in the Asia-Pacific region, enabling the company to expand its presence as well as continuing to provide new and innovative cloud products to existing partners and markets. The adoption of cloud-based applications across all industries is continuing to drive deal flow in Australia's technology landscape.



*Excludes Northern Russia.



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